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Exporting For Growth

A Top Canadian Priority



*The Honourable James Kelleher,
Minister for International Trade*

Search for New Markets

Canada has always had to depend upon export markets for economic growth, but never more so than now.

Our domestic market nowadays is maturing. It is no longer expanding as vigorously as before. The only way we can now fully employ our physical plant and human resources is by finding new markets for our products outside Canada.

The Department of External Affairs adminis-

ters two major programs to help Canadian producers find those markets. They are the Program for Export Market Development (PEMD) and the Promotional Projects Program (PPP). They are described in detail on pages 4 and 5. External's Trade Commissioners also promote Canadian goods and services in foreign markets.

Specialized export assistance and services are available through several other agencies — the Canadian Commercial Corporation, the Export Development Corporation, and the Canadian International Development Agency. These are described on page 8.

The provincial governments have also developed assistance programs which, for the most part, complement the federal programs. Federal and provincial governments are united in their determination to give Canadian producers all the assistance they can in their pursuit of new markets outside Canada.

Those new markets are now being found for almost one-third of what we produce. In finding them, we are establishing new businesses to replace those which have become obsolete. Existing businesses are becoming more competitive. Most important of all, we are creating more jobs.

The number of Canadians now at work is upwards of 300,000 more than a year earlier. Most of those jobs have come, directly and indirectly, from the increase in exports.

But while exports are increasing — by 15 percent last year and close to that this year — we're still a long way from exporting all that we can.

The opportunities for continuing export growth are there — more promising than they've ever been.

The economies of our traditional trading partners, the United States and Europe, are continuing to grow with an accompanying increase in their demand for the goods and services we can supply. New trading relationships are being developed in Asia and along the Pacific Rim. The markets for our products are there the world around.

Many of us have become skilled in developing new products and services. Many of us have learned how to market them in an intensely competitive environment. Many of us have become proficient in doing business in every quarter of the globe.

All this is reflected in the rising volume and broadening diversity of our exports.

But we're still a long way from realizing our full export potential and the economic growth it will generate. More Canadian businesses must become exporters. The following pages offer guidelines on how and where to start.

Canadians are selling baking pans to China, software to Morocco, survival technology to Scandinavia. We're selling mobile communication systems to the United States, frozen pizza crusts to Kuwait and tracked vehicles to the Soviet Union.

Altogether, Canadians last year sold \$112 billion worth of goods and services to foreign customers the world over. This year we'll sell even more. We have to — if our economy and the standard of living it supports is to continue to improve.

That's why the federal and provincial governments have joined with business, national trade and industry associations, universities and the export community to promote exports through the third annual observance of Canada Export Trade Month.

Exporting for growth has become a top Canadian priority.

James Kelleher.



Call Info Export 1-800-267-8376 In B.C. 112-800-267-8376

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The Decision to Export

By John Meyer

Most exporting businesses — whatever their size and product — are generating profitable new levels of growth, unattainable in the domestic marketplace.

Their sales figures tell the story: exports account for 40 percent of the sales of a Montreal custom machinery manufacturer, 90 percent of the sales of a Calgary high-density disk producer, 50 percent of the sales of a Burlington, Ontario book publisher, 45 percent of the sales of a Charlottetown medical products supplier.

Hundreds of other Canadian businesses, mostly small to medium in size, can report comparable export volumes. Almost all are expecting their export sales to continue to grow at a faster rate than their domestic sales.

That is not the way it used to be. Exporting used to be the province, almost exclusively, of big business. A firm had to be big to export, or so it was generally assumed. It had to be big to cover the costs of export market development, to finance long-term sales contracts, to sustain competitive research and development.

Large companies had extended production runs and accompanying economies of scale. The multinational character of many of them often provided favorable access to foreign markets not available to other producers.

The bigger businesses — forest and mining companies, energy producers, the automotive industry — still generate the largest proportion of Canada's exports. Increasingly, however, it's the small to medium-size businesses that are diversifying and enriching the export mix and, in the process, generating profitable new growth for themselves.

Canadian businesses now generally recognize that the Canadian market is unlikely to grow as rapidly in the future as it has in the past. That's why so many of them are pursuing new markets abroad.

Others know that they, too, should be exporting, but haven't known where or how to start; or perhaps they are afraid the start-

up costs will be more than they can afford; or that the competition will be too tough; or that the return on exports will be too thin to justify the investment in time and effort.

These are all legitimate considerations. They can't be brushed aside, nor should they be. Some goods and services, however much in demand in the domestic market, do not readily lend themselves to exporting. Others that are potentially exportable are not easily marketed in foreign lands.

Competition abroad in some products is already so intense that there is nothing to gain and much to lose by attempting to export. Even if the Canadian producer believes he can out-sell the competition, there remains the question of how profitable it will be to try.

Such considerations, as legitimate as they may be, are not the immediate ones in the decision to export. The immediate consideration is the strength of the corporate commitment to export. The company that makes the decision to seek new growth through exports can usually succeed if it is determined to do so, and is prepared to change and adapt its products to meet the requirements of its foreign customers.

Having made the decision to export, having made that commitment, it will have time enough to explore the ways to carry it through to a profitable conclusion.

It needn't stand alone. The firm can draw on a broad range of federal and provincial

assistance in establishing whether its products are exportable and to what countries, how best to market them, and the character of the competition they'll meet.

A start can be made with nothing more than a telephone call to trade officers at the nearest Department of Regional Industrial Expansion office. Those officers can advise the would-be exporter in scores of helpful ways. If they can't answer all of his questions, they'll know who can.

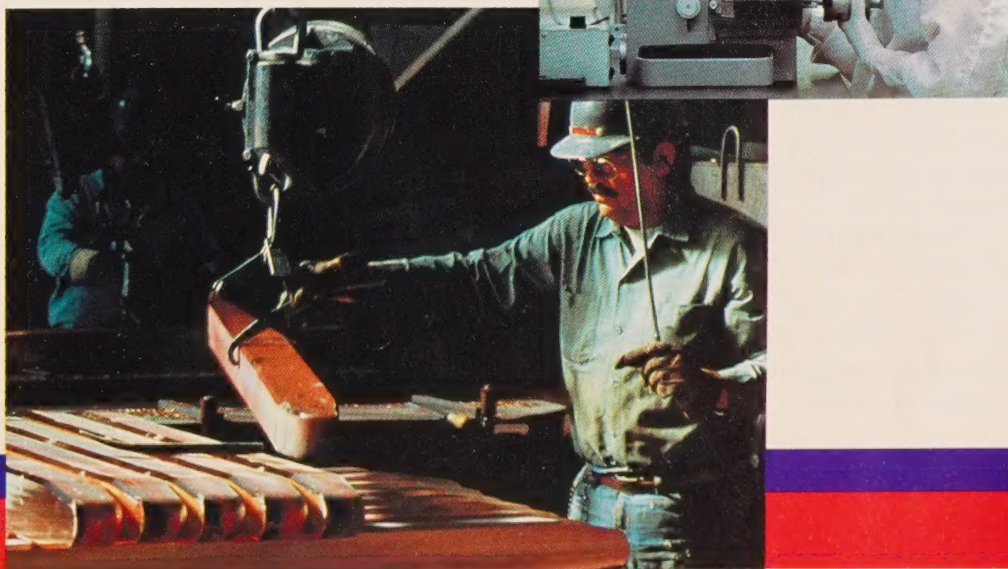
Trade officers cannot guarantee export success. No one can do that. What trade officers can do is to make Canada's collective experience in exporting available to those who want to export or are exporting now. The value of that collective experience is incalculable.

It is drawn from the continuing studies of specific markets by the trade development officers of the Department of External Affairs. It is drawn from the on-the-spot reports of the trade commissioners abroad. It is drawn from the successes and failures of other exporters and from the operations of such specialized agencies as the Export Development Corporation. All the would-be exporter has to do is ask for that advice.

But first, the decision to export has to be made. It's a decision that thousands of Canadian businesses of all sizes have already made — to their and Canada's advantage. It's a decision that thousands more could make.

Once made, and with help from trade officers and their supporting resources, those other considerations of competition, markets and profitability can then be assessed in a practical and knowledgeable manner.

John Meyer is a business columnist.



Opening The Doors To Exporting

By Margaret Piton

The Canadian business that has decided to export for growth, or is already exporting and wants to break into new markets, can apply for financial assistance through the Program for Export Market Development (PEMD), administered by the Department of External Affairs.

Last year, about 4,000 export marketing projects proposed by Canadian companies were assisted through PEMD. With PEMD assistance, companies reported they were able to generate \$722 million in new export sales last year.

The purpose of PEMD is to help current and potential Canadian exporters by sharing the costs of investigating and entering new export markets through contributions which are repayable if the company's project results in export success.

PEMD provides assistance in meeting the costs of market identification and research which will not only turn up new opportunities for export sales, but will alert the exporter to differences in consumer preferences, distribution methods and ways of doing business generally in these foreign markets.

The preparation of a bid on a foreign contract can be an intimidating experience, even for the experienced exporter. Assistance in meeting the costs of preparing such bids is available through PEMD.

Some would-be exporters will find it easier to break into foreign markets in conjunction with other businesses. Assistance in organizing an export consortium is also available through PEMD.

So is assistance in financing a sustained sales effort in a foreign market. Exporters, for example, can obtain assistance through PEMD in meeting the costs of opening a sales office or establishing other types of representation abroad.

Many businesses get their start in exporting by participating in trade fairs, often with assistance through PEMD. Participation in trade fairs enables them to display their products to large audiences, line up distributors and agents, size up the competition and in general familiarize themselves with market conditions. The export sales of a Prairie-based publisher, for example, have risen to 50 percent of total sales, largely as a result of participation in the Frankfurt Book Fair.

PEMD assistance to foreign buyers who wish to come to Canada is also given high marks by Canadian exporters as a way to enter export markets. Potential foreign customers are able to visit Canadian suppliers to observe their operations and assess their products firsthand. An Ontario business which exports a large part of its production finds this part of PEMD the most useful of export assistance programs.

The areas of export marketing for which PEMD assistance is available have been developed to assure their applicability to first-time and experienced exporters alike — whatever their size and product.

Applicants for PEMD assistance must be incorporated and show that they have the operational experience and resources to service export orders to the potential customers' satisfaction. The thrust of PEMD is towards creating new and sustaining foreign markets for the products of the Canadian business it is assisting.

Information on how to apply for export assistance through PEMD, and advice in making the application, are readily available through Info Export or the trade officers at Department of Regional Industrial Expansion offices across Canada.

Margaret Piton is a Montreal-based financial and travel writer.



Putting C On Display

A Saskatchewan manufacturer of specialized harvesting equipment has been exporting into the United States for several years. The company's equipment is mounted on rigs from North Dakota to Texas.

But how to reach markets in Australia and Europe? How to reach them in particular in the Soviet Union? The answer, not just for the Saskatchewan manufacturer, but for hundreds of other Canadian exporters, has been participation in trade fairs where, under the sponsorship of the Department of External Affairs, Canadian goods and services are showcased for maximum exposure to potential buyers.

External sponsors Canadian participation in more than 200 trade fairs and exhibitions



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Canada

By Hal Winter

each year. Through its Promotional Projects Program (PPP), External's specialists select the fairs calculated to provide the best return in current and future sales. Space is leased, advertising is booked, a "Canada" stand is readied and representative suppliers in the appropriate product categories are invited to participate.

Participants, often with help from External's trade officers, advise potential distributors and customers of their appearance at the fairs well in advance of the openings. They arrange for sales meetings and demonstrations. They may book advertising on their own account.

Over-the-counter sales will vary in volume according to the character of the products on

display. The more rewarding return is usually the follow-up business an active participant will generate.

Trade fairs are the means to not only introduce new products into the export market, but also to sustain foreign interest in existing ones. Participation in trade fairs, for example, offers a visible support for local distributors. It also presents opportunities to re-assess trade conditions, changes in local markets and the character of the competition.

External also sponsors selling missions to, and buying missions from, foreign markets through the PPP.

The former may consist of representative Canadian producers of a broad range of products, or be confined to producers of a single category of products. It depends on the destination of the mission and the character of the products. Similar distinctions are made in mounting buying missions.

Their common objective is to acquaint potential foreign customers with the breadth, diversity, quality, and application of Canadian products and technology. Again, the success of such missions, as with

participation in trade fairs, is best measured in the follow-up sales they generate.

Selling missions, for example, have opened the way to the use of Canadian products and technology in areas as diverse as telecommunications and housing. Buying missions have enabled Canadian producers to demonstrate, on-site, their methods of production, the quality and the application of their products.

The timing and destination of selling missions, as well as the choice of participants in buying missions, are determined by trade development officers and other trade specialists. Both selling and buying missions often result from bilateral trade agreements.

Missions are also launched in conjunction with private or semi-official bilateral trade committees and organizations. The establishment of such groups is common to much of Canada's strengthening trade with countries in the Pacific Basin. They serve as agencies through which to advance shared interests. They can also be extremely useful in developing trading contacts.

The Promotional Projects Program and the Program for Export Market Development are the two major export assistance programs of the Department of External Affairs. In some instances, as in trade fair participation, they appear to overlap. In practice, however, PPP initiatives originate with External Affairs, whereas participation in PEMD originates with the individual exporter.

Exporters can obtain information about both programs from trade officers at Department of Regional Industrial Expansion offices across Canada.

Hal Winter writes about business for several publications.

The U.S. Market



The United States is Canada's largest market. It's easily reached. It's diversified. Perhaps most important of all, it's an expanding market. Real economic growth is expected to average 3.5 percent annually to 1989 with an accompanying increase in demand for the goods and services which Canadians can supply.

Canada's exports there extend from primary resource to hi-tech products, with just about every other industrial and service sector represented in between. As a general rule, if a business can compete successfully in Canada, it should be able to sell somewhere in the U.S. Export success there, however, can often depend as much on careful planning as upon price and quality.

One measure of the extent of Canadian export success in the U.S. is the rise in the proportion of total exports going there. Five years ago, the U.S. took 65 percent of Canadian exports. Now it takes more than 75 percent.

The U.S. market is often perceived as a single, homogeneous market. It is not. It is, instead, distinctly regional in its character. Canada has trade offices in 13 major cities across the U.S. Exporters are advised to consult them in targeting first-time markets or expanding into new markets.

The U.S. market — more than most others — has to be developed. It is, in this respect, possibly the most competitive. Some potential Canadian exporters have shied away from the U.S. market for this reason.

The experience of successful exporters, however, is that there is always room for the new, the different and the competitively priced in American markets. Canadian manufacturers have shown an adaptability learned in the small Canadian markets which has meant success in the larger American ones.

The Department of External Affairs has

helped hundreds of firms enter U.S. markets using trade shows, manufacturers' representatives, and the accumulated experience of seasoned trade counsellors. U.S. trade shows are the best selling tool and Canadians appear in dozens of them. External Affairs can help almost any firm which is ready to try its hand.

Canadian companies producing for defense have access, through the U.S./Canada Defense Production Sharing Agreement, to an estimated (U.S.) \$80 billion market. It's a market which is characterized by its requirements for high technology equipment, sub-systems and components.

The Latin American and Caribbean Markets



Canada's export prospects in Latin America and the Caribbean are slowly improving as the countries in these regions restructure their foreign debts, restrain their inflation and take measures to otherwise strengthen their domestic economies. The primary markets for Canadian exporters have been Mexico, Brazil, Venezuela, Cuba, Columbia, and Trinidad.

Latin America and the Caribbean together have been the largest borrowers from Canadian banks. They constitute the most favored area, after the United States, for Canadian direct foreign investment and an important market for Canadian manufactured products. The import capacity of the region is expected to come close to tripling its current level of \$75 billion by 1990. If Canada retains its present share of market, its exports there should rise to upwards of \$9 billion.

Export opportunities are largely found in the infrastructure projects being planned or

already launched in energy development and distribution, telecommunications, transportation as well as urban, tourism and resource development. Usually, exports in these categories are carried on through joint ventures with nationals or by way of licensing agreements.

Cuba and the countries in the Caribbean Basin have been good markets for Canadian processed food, manufactured products and telecommunications equipment. Canada has been the sole source, for Cuba, of North American products and technology in several sectors.

The European Market



The countries of Europe together constitute the largest market in the world. Canada's exports there were rising slowly but steadily until they peaked during the recession years of 1981/82. They've begun to rise again, in part as a result of a strengthening recovery and a return to a more favorable foreign exchange relationship.

Growth in real domestic product for Europe, as a whole, is expected to average 2.1 percent a year through 1989. Growth for the members of the European Economic Community (EEC) in particular, is based on the assumption of expanding domestic demand which in turn translates into increased imports. Western European countries import some \$375 billion in goods and services annually, from countries outside the EEC and the European Free Trade Association. The planned economies of Eastern Europe import \$65 billion annually from western countries.

The Western European countries are relatively affluent, presenting broad-ranging opportunities for the sale of consumer



goods. Some countries, notably the United Kingdom and West Germany, can be decidedly upscale in consumer demand. More than 60 percent of Canada's exports to Western Europe are now higher fabricated and end products.

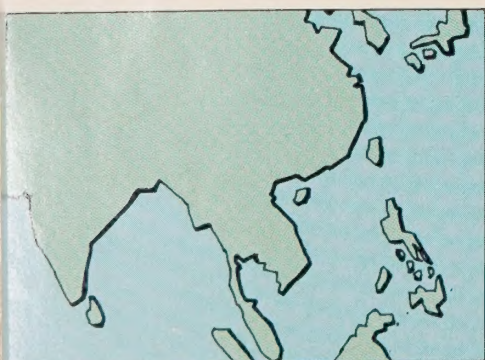
The Western European countries also offer specific opportunities for export sales through the transfer of technology, particularly in the broad area of electronics, telecommunications and information processing. At the other extreme are the opportunities for processed food exports as demand outruns the ability of Europe's own sources to supply it. The reduction in the herring fishery, for example, has opened new markets for Canadian suppliers.

Canadian suppliers have also been successful in exporting specialized products and services, notably to the North Sea oil and gas industry. Specialized products have ranged from drilling equipment to anti-pollution devices. Specialized services have included underwater and survival technology.

Opportunities for Canadian suppliers are also to be found, particularly in London, for participation in major capital projects for developing countries. The Department of External Affairs has a special office in London to monitor such projects.

Competitive financing packages are an important ingredient in sales to Eastern Europe. Exporters must also be prepared to meet counterpurchase obligations. The Soviet Union is expected to remain a primary purchaser of large-scale capital projects.

The Asian and Pacific Markets



Most of the countries in the Pacific Basin, from South Korea to Thailand, including

Australia and New Zealand, are on a strong growth curve. The region is expected to average an annual 5.6 percent increase in its collective real gross domestic product through 1989. That growth is opening exciting new opportunities for Canadian exporters and they have responded by making the Asia and Pacific markets the fastest growing of all the country's regional export markets.

Japan is the dominant economy in the region and, until recently, was regarded as a particularly difficult market to crack. Canadian exporters, however, have found ways to penetrate the Japanese market with products as diverse as custom-made sports cars and kitchen utensils.

China is potentially the largest market, with its requirements for western technology of every description — farm machinery, telecommunications and all types of production equipment. India, like China, has embarked on an extensive modernization drive with emphasis on power generation, oil and gas exploration, renewal of its railway systems and telecommunications. Both countries want licensing agreements leading to domestic production and other types of joint ventures with suppliers.

The Association of Southeast Asian Nations — Singapore, Malaysia, Thailand, The Philippines, Indonesia and Brunei — together import (U.S.) \$80 billion annually in goods and services, 60 percent in the form of machinery, equipment and other manufactured goods. In this region, as throughout Asia, sales often require patient, time-consuming negotiations, but when successful, are well worth the effort.

The newly industrialized countries such as Hong Kong, South Korea, Singapore and Taiwan import significant volumes of foodstuffs, forest products, chemicals, electronics, telecommunication and satellite equipment. Exports to the developing countries, particularly capital projects, are often financed through international aid agencies.

The Australian and New Zealand markets are comparable in many ways to North American markets. More than half of Canadian exports there are fully manufactured products including agricultural equipment, videotex, aircraft, oil and gas drilling equipment, and telecommunications equipment.

The African and Middle East Markets



Opportunities for capital projects exist in West and Central Africa, but their realization depends upon access to financing through international and national aid agencies. In the meantime, most African countries are experiencing balance of payments difficulties which are not expected to be resolved before the end of the decade. Their economic recovery thereafter will probably be slow.

Canada's primary markets in the Arabian Peninsula are Saudi Arabia and the Gulf countries; in North Africa they are Egypt and Algeria. The oil exporting countries generally are undergoing substantial economic and financial adjustment as oil revenues drift below 1978 levels and the markets they offer move away from the boom phase towards one of consolidation and industrial development.

Exporters who had been without the depth or resources to participate in the megaprojects undertaken in these markets during the boom phase are now better placed to participate in the current phase by supplying technology, raw and semi-processed materials and services. These markets, except for Egypt, are still among the best "cash" markets in the world. Most Canadian exports to Egypt require financing through the Export Development Corporation and the Canadian International Development Agency.

The Trade Commissioners

A firm wishing to enter an export market will find it already has a representative there, in the person of one of the more than 200 trade commissioners stationed in Canada's embassies and consulates. Recruited, trained and directed by the Department of External Affairs, the trade commissioners are on the leading edge of Canada's export growth.

Intimately familiar with local economies, they're able to counsel new exporters on market conditions, business practices, and regulatory requirements. They know, or can find out on request, on which doors the new exporter should knock. They know what the

potential new customer will expect in the way of price, quality and delivery. They can assess the character of the competition.

They serve, in other words, as on-the-spot consultants for every exporter, whatever their size or product. They stop short, however, of delivering the sales pitch on behalf of specific goods and services. That's up to the exporter. The trade commissioner's role is to backstop the exporter with the detailed information so essential to making the sales pitch a successful one.

Trade commissioners usually serve three to four years in each foreign posting. Between

postings, they return to Canada to catch up on domestic developments, visit exporters, and participate in briefings and familiarization sessions.

Their collective experience in exporting and knowledge of foreign markets is a valuable asset for Canada — an asset which all exporting businesses can share. They've only to ask. Names and addresses of trade commissioners at posts abroad are available from trade officers at the Department of Regional Industrial Expansion offices across Canada. They can also be obtained by calling External Affairs' Info Export Centre.

Other Export Assistance Programs and Agencies

Businesses seeking assistance in breaking into the export market most frequently apply to the Program for Export Market Development (PEMD) and the Promotional Projects Program (PPP). Assistance is also available through other government departments and agencies listed here:

Department of Regional Industrial Expansion

For many would-be exporters, the all-important question is, where to start. They can obtain practical advice to answer that question by simply applying to regional trade officers in offices of the Department of Regional Industrial Expansion across Canada.

These officials can show would-be exporters how and where to apply for assistance, provide the details of the assistance programs and how to qualify for them, and if necessary, obtain additional information from trade development and market specialists in Ottawa, and from trade commissioners in Canada's posts abroad.

Export Development Corporation

The Export Development Corporation (EDC) is a Crown agency for underwriting and insuring export financing. Last year, it

underwrote, in various ways, \$4.23 billion of export financing and insured \$2.67 billion worth. Export financing was arranged through EDC for 110 transactions, more than double those of the previous year. Of these, 51 involved amounts of less than \$1 million, an indication of the widening use of EDC facilities by small and medium businesses.

The large capital projects underwritten by EDC also mean more export business, if indirectly, for Canadian suppliers. As an example, a contract to a Montreal engineering firm for a copper concentration plant in Peru, underwritten by EDC, generated \$90 million in sales by other Canadian businesses of products as varied as telephone poles and a complete power plant.

Canadian Commercial Corporation

A business can enter the export market by simply registering with the Canadian Commercial Corporation (CCC). The CCC is Canada's agency for handling government-to-government trade transactions. The foreign principal in such transactions places its requirements with CCC which in turn subcontracts them to Canadian suppli-

ers. Last year, CCC sold \$781 million worth of goods and services to 76 foreign customers, including international aid agencies.

Canadian International Development Agency

The Canadian International Development Agency (CIDA) administers Canada's aid programs for Third World countries. Like CCC, it offers the possibility of entering the export market without leaving home. Where an aid program calls for goods and services which can be supplied by Canadians, CIDA tenders for them in Canada. The traffic works two ways. Suppliers of goods and services which they believe would make useful contributions to aid programs are encouraged to approach CIDA.

Information

CanadExport, a bi-weekly trade newsletter focusing on world markets and marketing opportunities for Canadian exporters, is available free of charge to Canadian companies in Canada. If you would like to be placed on the mailing list or have any questions about exports or export assistance, call External Affairs' Info Export Centre toll-free — 1-800-267-8376. (In British Columbia, call 112-800-267-8376.)



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